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Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554

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In the Matter of

1998 Biennial Regulatory Review --  
Review of ARMIS Reporting  
Requirements

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CC Docket No. 98-117

COMMENTS OF GTE

Dated: August 20, 1998

GTE Service Corporation and its affiliated  
domestic telephone operating companies

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## TABLE OF CONTENTS

	<u>PAGE</u>
SUMMARY	ii
COMMENTS OF GTE.....	1
I. DISCUSSION .....	2
A. The elimination of paper copies will not result in significant savings for carriers.....	2
B. GTE supports the proposed elimination of rows and columns on the ARMIS 43-01 and 43-04 reports, but urges the Commission to take more meaningful steps to reduce reporting requirements.....	3
C. The Commission's proposal to deny regulatory relief to larger incumbent LECs should be rejected.....	4
1. Carriers' relative cost of complying with ARMIS reporting requirements is not a valid basis for excluding large incumbent LECs from ARMIS relief.....	5
2. The Commission's concerns regarding improper cost allocations by larger price cap carriers fail the test of reason.....	6
3. The volume of transactions involving competitive services is not a valid basis by which to distinguish large ILECs from mid-size ILECs.....	7
4. ARMIS reports are of little value in monitoring the development of competition.....	8
5. Requiring Large ILECs to maintain Class A accounts is costly, burdensome, and provides little or no benefit to the public or the Commission.....	9
II. CONCLUSION.....	11

## SUMMARY

GTE generally supports the FCC's proposals to reduce the ARMIS reporting requirements. The Commission, however, should extend the reforms to all carriers and should consider and adopt more significant reductions in the ARMIS reporting requirements than those proposed in the NRPM.

While GTE supports eliminating the requirement that carriers file paper copies of ARMIS reports, the associated cost savings to carriers are modest at best. Similarly, GTE agrees with the Commission's tentative decision that equal access, inside wire and payphone information should be eliminated from the 43-01 and 43-04 reports. Rather than make a few minor modifications to the existing reports, however, GTE urges the Commission to adopt USTA's proposal that the Commission adopt a new ARMIS 43-00 report to replace the current ARMIS 43-01, 43-02, 43-03, and 43-04 reports.

Most significantly, GTE opposes the Commission's tentative conclusion to deny to large ILECs the more substantial proposals for ARMIS reporting relief. GTE disagrees that large carriers' relative cost of complying with ARMIS is a valid basis to deny large carriers relief. GTE also disagrees with each of the Commission's reasons for denying large ILECs the ability to base ARMIS reports on a Class B level of detail.

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**COMMENTS OF GTE**

GTE Service Corporation and its affiliated domestic telephone operating companies (collectively "GTE")<sup>1</sup> respectfully submit comments in response to the *Notice of Proposed Rulemaking* in the above-captioned proceeding.<sup>2</sup> In the *NPRM*, the Federal Communications Commission ("FCC" or "Commission") proposes to reduce the reporting requirements of the Automated Reporting Management Information System ("ARMIS"). The modifications are designed to (1) reduce the reporting burden on

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<sup>1</sup> GTE's domestic telephone operating companies are: GTE Alaska Incorporated, GTE Arkansas Incorporated, GTE California Incorporated, GTE Florida Incorporated, GTE Hawaiian Telephone Company Incorporated, The Micronesian Telecommunications Corporation, GTE Midwest Incorporated, GTE North Incorporated, GTE Northwest Incorporated, GTE South Incorporated, GTE Southwest Incorporated, Contel of Minnesota, Inc., and Contel of the South, Inc.

<sup>2</sup> 1998 Biennial Regulatory Review -- Review of ARMIS Reporting Requirements, *Notice of Proposed Rulemaking*, CC Docket No. 98-117, FCC 98-147 (released July 17, 1998) (hereinafter "*NPRM*").

carriers; (2) improve the quality and use of the reported information; and (3) reduce the Commission's cost of collecting, verifying and distributing the ARMIS reports.

GTE generally supports the FCC's proposals to reduce the ARMIS reporting requirements. The Commission, however, should extend the reforms to all carriers and should consider and adopt more significant reductions in the ARMIS reporting requirements than those proposed in the NRPM.

## **I. DISCUSSION**

### **A. The elimination of paper copies will not result in significant savings for carriers.**

In the *NPRM*, the Commission proposes to eliminate the requirement that carriers submit both paper and electronic copies of ARMIS reports.<sup>3</sup> While GTE supports eliminating the paper filing requirement, the associated cost savings for carriers are modest at best. Even if this proposal is adopted, carriers will need to produce paper reports for verification and audit purposes. Therefore, cost savings will only be realized by not having to print additional copies of all reports and deliver the reports to the Commission. Based on GTE's estimates, the total savings attributable to the elimination of the Commission's paper copies of the ARMIS reports is less than \$5,000 for all 53 study areas currently filed by GTE.

GTE is also concerned that any minimal cost savings resulting from eliminating paper copies of ARMIS reports may quickly be swallowed by other FCC decisions that increase carriers' costs. In particular, in the *NPRM*, the Commission stated that it plans

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<sup>3</sup> *Id.*, at 2 (¶ 2).

to make ARMIS data available to the public through the Internet.<sup>4</sup> In order to make ARMIS information Internet-friendly, the Commission may require carriers to modify the existing report structures. GTE is concerned that the cost of modifying the carrier's systems that produce the current reports would very likely exceed any savings gained by the elimination of the Commission's paper copy. The Commission should ensure, therefore, that any changes to the ARMIS requirements designed to make ARMIS information Internet-friendly does not increase carrier costs.

**B. GTE supports the proposed elimination of rows and columns on the ARMIS 43-01 and 43-04 reports, but urges the Commission to take more meaningful steps to reduce reporting requirements.**

GTE concurs with the Commission's proposal to eliminate equal access, inside wire and payphone information from the 43-01 and 43-04 reports. The Commission properly concluded in the *NPRM* that this information is no longer necessary.<sup>5</sup> The Commission, however, has failed to recognize in this proceeding that a great amount of other likewise unnecessary information is included in the ARMIS reports.

GTE notes that USTA has proposed that the Commission adopt a new ARMIS 43-00 report to effectively replace the current ARMIS 43-01, 43-02, 43-03, and 43-04 reports.<sup>6</sup> GTE supports the USTA proposal. The new ARMIS 43-00 report proposed by the USTA contains the essential information that the Commission may find useful

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<sup>4</sup> *Id.*, at 2 (¶ 3).

<sup>5</sup> *Id.*, at 3 (¶¶ 4-5).

<sup>6</sup> See, USTA comments being filed concurrently in this proceeding.

without the huge amounts of outdated information that was more appropriate under rate of return regulation.

The Commission's review of its ARMIS reporting requirements is being conducted in accordance with the Section 11 of the Communications Act.<sup>7</sup> That section requires the Commission to examine all regulation and eliminate any and all regulation that constitutes an unnecessary burden on carriers. USTA's proposed ARMIS 43-00 report is exactly the type of product the biennial review is intended to produce. By contrast, the FCC's proposal to limit regulatory relief to eliminating a few rows, columns, and tables represents largely cosmetic relief falling significantly short of what is required of the Commission under Section 11.<sup>8</sup>

**C. The Commission's proposal to deny regulatory relief to larger incumbent LECs should be rejected.**

The FCC proposes in the *NPRM* to deny to large ILECs the most significant proposed modifications of the ARMIS reporting requirements. In particular, the FCC proposes to require such carriers to maintain the Class A level of detail for AMRIS reports. Consistent with its tentative conclusions in CC Docket 98-81,<sup>9</sup> the FCC concluded that a class A level of detail is needed (1) to uphold its statutory obligations to prevent cross-subsidization and discrimination; and (2) because large ILECs conduct

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<sup>7</sup> 47 U.S.C. § 161.

<sup>8</sup> See *NPRM*, at 17-18, Separate Statement of Commissioner Harold W. Furchtgott-Roth.

<sup>9</sup> 1998 Biennial Regulatory Review – Review of Accounting and Cost Allocation Requirements, *Notice of Proposed Rulemaking*, CC Docket No. 98-81, FCC 98-108 (released June 17, 1998) (hereinafter "*Accounting NPRM*").

a higher volume of competitive services that must be monitored.<sup>10</sup> GTE joined several parties in opposing the Commission's rationale for denying accounting relief to large ILECs in the *Accounting NPRM*.<sup>11</sup> Those same arguments apply with full force to the Commission's proposals in this proceeding. Rather than repeat the arguments made by GTE in Docket 98-18 in these comments, GTE refers the Commission to its previous comments and highlights arguments made in that proceeding below.

**1. Carriers' relative cost of complying with ARMIS reporting requirements is not a valid basis on which to exclude large incumbent LECs from ARMIS relief.**

The Commission proposal to streamline many ARMIS reporting requirements only for certain mid-sized incumbent local exchange carriers ("ILECs") is based in part on the notion that a carrier's cost of implementing an ARMIS reporting system are largely fixed with respect to the number of access lines served. Thus, the FCC reasons, on a per-access-line basis, "the cost of complying with the full ARMIS reporting requirements is substantially higher for mid-size incumbent LECs than for large incumbent LECs, because the large incumbent LECs are able to average their fixed reporting costs over a larger number of access lines."<sup>12</sup>

The Commission's conclusions, however, are incorrect. While it is true that certain costs associated with administering the ARMIS reporting system are essentially the same for both large and small carriers, there are a significant number of ARMIS

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<sup>10</sup> *NPRM*, at 8-10 (¶ 13).

<sup>11</sup> GTE Comments, CC Docket No. 98-81, filed July 17, 1998.

<sup>12</sup> *NPRM*, at 4 (¶ 6).



costs that vary directly with the size of the reporting entity. For example, the costs associated with gathering, collecting, analyzing and summarizing data for a carrier with a large network will generally be greater than the costs incurred by carriers smaller in size.

GTE does not contend that large carriers and mid-sized carriers have the same administrative ARMIS cost per-access-line (they do not). Nonetheless, ARMIS reporting is costly and burdensome for both large and mid-sized companies alike. As such, the relative cost-per-access line of ARMIS compliance cannot and should not serve as the basis for excluding large ILECs from relief under Section 11.

**2. The Commission's concerns regarding improper cost allocations by larger price cap carriers fail the test of reason.**

The Commission tentatively concludes that GTE and the RBOCs should be required to continue to be subject to the full ARMIS reporting requirements because any reduction in reporting requirements "would impair [the FCC's] ability to guard against improper cost allocations".<sup>13</sup> GTE and the RBOCs, however, are now under price cap regulation. Price cap regulation removes incentives for carriers to engage in improper cost allocations by preventing price cap carriers from being able to benefit from improper cost allocations. Thus, price caps eliminates the need to maintain extensive ARMIS reporting requirements designed to detect improper cost allocations.<sup>14</sup>

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<sup>13</sup> *NPRM*, at 8-10 (¶ 13).

<sup>14</sup> In any event, GTE showed in its previous comments that maintaining Class A account reporting will not affect the Commissions ability to uphold its statutory obligations. GTE Comments, CC Docket No. 98-18, filed July 17, 1998, at 9-11.

It is exactly this type of outdated regulation that Section 11 was intended to sweep away. Yet, rather than proposing to eliminate unnecessary ARMIS reporting, the *NPRM* proposes to continue to apply regulation to price cap carriers and grant relief to carriers still under rate of return regulation. GTE believes that Section 11 requires the Commission to completely eliminate ARMIS reports for all price cap carriers. At minimum, however, the FCC should apply to large ILECs the same reductions in ARMIS reporting requirements it proposes to apply to mid-size carriers.

**3. The volume of transactions involving competitive services is not a valid basis by which to distinguish large ILECs from mid-size ILECs.**

GTE opposes the Commission's tentative decision to deny regulatory relief from ARMIS reporting requirements to large ILECs based on their volume of competitive transactions. GTE showed previously that the more relevant examination is the ratio of regulated to unregulated activity.<sup>15</sup> Other carriers concur.

BellSouth, for example, states that "the volume of transactions involving competitive services is not an appropriate benchmark for assessing the risk that ratepayers will attempt to cross-subsidize competitive services. Instead a more appropriate benchmark is the relative amount of resources devoted to providing competitive services."<sup>16</sup> Moreover, SBC argues that "in most cases, the mid-sized

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<sup>15</sup> *Id.*, at 7-9.

<sup>16</sup> BellSouth Comments, CC Docket No. 98-81, filed July 17, 1998, at 11.

ILECs have a higher level of nonregulated activity than the SBC LECs."<sup>17</sup> Since the large LECs have approximately the same small percentage of nonregulated activities as the mid-size LECs, and the large LECs have the added protection against cross-subsidizing that price cap regulation affords, there is no valid reason to deny large LECs the ability to use Class B accounting or take advantage of reduced ARMIS reporting requirements.

**4. ARMIS reports are of little value in monitoring the development of competition.**

Among the reasons given by the Commission for not proposing to reduce ARMIS reporting requirements for large LECs is the purported need to monitor the development of competition in the telecommunications marketplace.<sup>18</sup> ARMIS reports, however, provide only limited information about competition in the marketplace. ARMIS reports are only required of incumbent LECs with current revenues above \$112 million. Thus, LECs with lower revenue amounts and CLECs are not required to file ARMIS reports. ARMIS reports therefore provide incomplete data regarding competition in the marketplace.

GTE believes that better tools exist to assess competition in the marketplace. For example, many state commissions have developed monitoring tools that examine data from all competitors and result in better assessments of competition in the

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<sup>17</sup> SBC Comments, CC Docket No. 98-81, filed July 17, 1998, at 9. See also Ameritech Comments, CC Docket No. 98-81, filed July 17, 1998, at 5; BellSouth Comments, CC Docket No. 98-81, filed July 17, 1998, at 11.

<sup>18</sup> *NPRM*, at 8-10 (¶ 13).

marketplace. GTE believes that the Commission should develop a means of monitoring competition that provides more complete industry information rather than continuing to rely on ARMIS reports.

Unfortunately, ARMIS reports are of great value in one regard. Entities that compete with incumbent LECs can gain valuable information about an ILEC's operations through the public ARMIS reports. Conversely, ILEC competitors do not make public the type of information that ILECs must report under the full ARMIS reporting requirements. As such, continued enforcement of ARMIS reporting requirement skews competition in the market by providing only some competitors with competitively sensitive information about their rivals. GTE believes that this one-sided regulation must be eliminated in order to build the kind of competitive marketplace that Congress envisioned in enacting the Telecommunications Act of 1996 in general, and Section 11 in particular.

**5. Requiring Large ILECs to maintain Class A accounts is costly, burdensome, and provides little or no benefit to the public or the Commission.**

Among the benefits the Commission proposes to extend to mid-size ILECs in this proceeding is the ability to file ARMIS reports based on a Class B level of detail.<sup>19</sup> The Commission does not propose to allow large ILECs to use Class B accounting in ARMIS reports. GTE and others have previously shown that Class B accounting is appropriate for all telecommunications carriers, both large and small, and will not

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<sup>19</sup> *Id.*, at 5-6 (¶ 9).

interfere with the Commission's ability to carry out its responsibilities in a competitive telecommunications marketplace.<sup>20</sup>

Moreover, the use of Class A accounts imposes undue restrictions and significant costs on carriers. Contrary to the Commission's implication in the *NPRM*,<sup>21</sup> Class A account detail is not used for management purposes and would not be kept but for the current Part 32 Rules.<sup>22</sup> All LECs, and particularly price cap LECs, should be able to adopt Class B accounting and report any ARMIS information that still may be required at the Class B account level.

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<sup>20</sup> Regardless of whether a carrier uses Class A or Class B accounts, the supporting detail for each transaction will remain the same. Only the aggregation level of the transactions differs. It is the underlying detail and not the account totals that are useful when the Commission investigates tariff filings. GTE Comments, CC Docket No. 98-81, filed July 17, 1998, at 11.

<sup>21</sup> *NPRM*, at 8-10 (¶ 13).

<sup>22</sup> GTE Comments, CC Docket No. 98-81, filed July 17, 1998, at 6.

## II. CONCLUSION

While GTE supports most of the proposals in the *NPRM*, GTE is disappointed that the Commission has again failed to consider many recommendations put forth by USTA and other members of the ILEC community. In particular, GTE believes that the Commission's proposal to limit regulatory relief only to mid-sized companies is contrary to the spirit of Section 11 and is based on incorrect information. At the very least the Commission should make the limited relief proposed in the *NPRM* available to all carriers required to file ARMIS reports.

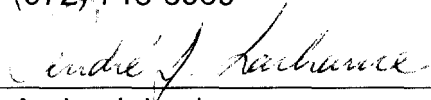
Dated: August 20, 1998

Respectfully submitted,

GTE Service Corporation and its affiliated  
domestic telephone operating companies

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